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June 2, 2006

Ambassador Susan Schwab  
Deputy U.S. Trade Representative  
600 17<sup>th</sup> Street, NW  
Washington, DC 20508

Dear Ambassador Schwab:

As acting U.S. Trade Representative, I would like to bring to your attention my correspondence with Ambassador Portman and President Bush, in which I stressed four areas where the USTR should play a stronger role in standing up for the American workers and companies. If we are truly committed to protecting American manufacturing jobs and competing in this global marketplace, we must begin by enforcing our trade polices. Assuming you are confirmed as the new USTR, I urge you to make enforcing fair trade policies Job #1.

**The Administration should make trading partners play by the rules.**

The Administration's trade agenda should focus on making trading partners play by the rules and opening export markets for the sale of American goods where our industries have historically been shut out. This Administration must fight for American workers. We need stronger enforcement of current trade laws and we should more aggressively identify cases of unfair trade practices and submit them to the World Trade Organization (WTO) for dispute resolution.

I understand that USTR has requested dispute settlement consultations at the WTO against unfair Chinese tariffs on imported auto parts. China's regulations unfairly discriminate against U.S. auto parts in favor of Chinese-manufactured parts and provide an incentive for auto parts producers to relocate manufacturing facilities to China. Now is the time for the Administration to finally recognize that China is using unfair trading practices and take action against these practices that have pushed the U.S. bilateral trade deficit with China past \$200 billion—a new and damaging record. I urge you to continue these efforts and follow up with more challenges to other areas of non-compliance by China.

**The Administration should only negotiate free trade agreements that advance and defend U.S. manufacturing interests.**

If this Administration is truly interested in leveling the playing field, it must start by standing up for the U.S. automotive sector as it negotiates a free trade agreement with Korea. Korea has repeatedly and unfairly blocked the U.S. automotive sector from access to Korean consumers. I urge this Administration to use the Korean Free Trade Agreement negotiations as an opportunity to eliminate Korea's unfair trading practices and other non tariff barriers to ensure that American auto manufacturers have a fair opportunity to sell their products in Korea. No free trade agreement should be signed unless it fulfills the President's promise to "level the playing field" and ensures truly open and immediate access to Korean consumers for our auto manufacturers.

**The Administration should insist that other nations end currency manipulation.**

No sector today is experiencing more pain from the increasing trade deficit than the manufacturing sector. This Administration has done nothing to balance out the record setting bilateral trade deficit with China, which is fueled by China's currency undervaluation.

Currency manipulation of other nations has had a negative impact on our national economy and the economy of states like Michigan. China's currency manipulation over the past decade has undervalued the yuan by 15 to 40 percent and gives China's goods and services a built-in unfair competitive advantage over American goods and services in the United States, China and around the world. American producers continue to be penalized by the fact that China's, and other nations', manipulative exchange practices effectively subsidize the goods these nations sell in the United States, and impose tariffs on U.S. goods sold abroad. These practices undermine the general principle that markets, not governments, should determine exchange rates. I urge the Administration to take immediate action against countries that manipulate their currency to achieve an unfair advantage over American companies.

**The Administration should enforce and strengthen Intellectual Property Protections.**

In this 21st economy, the U.S. is relying more heavily on international partnerships and joint ventures. Intellectual property protections are essential in this environment so that companies can share their technology without losing complete control.

China's intellectual property laws are rarely enforced, leading to rampant violations of U.S. companies' intellectual property rights. These violations translate into lost American jobs and lost earnings for American companies. While China's President Hu Jintao continues to pledge protection of intellectual property rights, we have seen very little action taken. This Administration should move quickly to bring WTO cases to ensure China complies with its international intellectual property rights commitments.

The President has repeatedly stated his awareness of obstacles facing Michigan's economy, but offers no action. He says that protectionism expresses a lack of confidence in our ability to compete and he is absolutely right. However, Michigan is not looking for protection. We are looking for action on unfair trade practices that can help our manufacturers compete and win in the global marketplace. USTR has an important role in helping our domestic manufacturing industry compete. If you become the next U.S. Trade Representative, I hope you will make these concerns a top priority of your trade agenda.

I trust you will work to advance the cause of America's manufacturing sector.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'J. Granholm', with a stylized, cursive script.

Jennifer M. Granholm  
Governor